GEORGIA GROWTH SLOWING BUT REMAINING WELL ABOVE U.S. GROWTH IN NEXT TWO YEARS

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Summary

Previous strong gains in construction and retail employment are beginning to slow in Georgia. Construction soon should be trending downward while retail growth definitely should slow in the next two years. However, continued modest gains in manufacturing, with more substantial increases in the important textile industry, should continue to generate employment gains well above national rates in the next two years.

Projected 3.8% and 2.7% employment gains for Georgia contrast with increases of only 2.5% and 1.9% nationwide. Because of reduced wage gains, personal income gains are continuing to slow in Georgia. Increasing inflation in 1988 should be reflected in higher earnings and a slight acceleration in personal income.

According to the coincident indicators, the Georgia economy expanded 4.7% in 1986 as compared to a gain of only 2.5% for the nation. During the first quarter of 1987, Georgia product apparently expanded a robust 6.6% as compared to 4.3% announced nationwide. With this robust beginning, Georgia's state product probably will grow more than 5% after inflation in 1987 and slow to a still respectable 3.5% rate of growth in 1988.

Georgia's unemployment rate is expected to dip slightly to 5.5% in 1987 as more than 102,000 additional jobs are created. Job growth is expected to slow to 75,300 in 1988, when the unemployment rate is expected to rise slightly to 5.6%.

Recent Conditions

Payroll employment adjusted for seasonal factors increased 5.9% at annual rates in the first quarter. This compares with a 3.1% annual rate of increase for payrolls in the United States. Preliminary estimates suggest that payroll employment slowed slightly in March. Some of this, especially in the retail sector, could be the result of shifting seasonal patterns as a result of the shift in the Easter holiday.

However, some weakness probably is beginning to develop for contract construction. During the first quarter construction orders fell 17% from the first quarter of 1986. Even residential orders were down noticeably. Employment also was restrained by a model changeover at the Lakewood automobile plant in Atlanta. Employment is not expected to increase there until the second half of the year. Continued weakness in some airline activity has led to slower gains for transportation. However, increased competitiveness of American manufacturing already is apparent in significant employment gains experienced by the Georgia textile industry. The apparel industry, which had been trending downward through the end of 1986 also has begun showing some revival. The

service sector continued to expand briskly with a significant portion of the gain being recorded in business services. Surprising employment gains were recorded in the government sector, but significant strengthening state and local government payrolls is expected to be temporary. Adjusted for unusual seasonal factors in March, the employment experience in Georgia during the first quarter was certainly acceptable.

Georgia's coincident indicators grew vigorously during the first quarter but declined in March. Much of this activity was the result of surprisingly strong corporate tax accruals early in 1987 which abruptly came to an end in March. However, bank deposits also showed some weakness after adjustment for national inflation rates. Most of the employment related statistics continued to show strength, with the important hours worked expanding significantly. Farm cash receipts also registered substantial strength, as the poultry industry continued to experience unusually profitable conditions. However, substantial poultry expansion plans in Georgia and throughout the nation suggest that poultry prices will be under downward pressure before summer.

Georgia's leading indicators have not been as robust as current economic activity. In March, more of the indicators fell than increased, although a significant expansion in tax revenues helped to generate a modest gain for the leading indicators. These indicators suggest that current growth in the Georgia economy is faster than can be sustained. This suggests that economic activity will slow significantly in Georgia during the second quarter, although the indicators clearly suggest that economic growth will continue.

Personal income in Georgia continues to grow more rapidly than in the United States, with nonfarm personal income growing at an annualized rate of 4.9% in Georgia as compared to a 3.2% rate of growth nationwide in the fall. However, the drought's effects upon Georgia income was readily apparent during the fourth quarter, when farm income dropped an annualized rate of 72.1%. In comparison, farm incomes nationwide expanded at an annual rate of nearly 57%. Annualized gains in personal income were especially sharp in Georgia for contract construction (18.2% versus 3.6% nationwide), wholesale trade (12.9% versus 4.0% nationwide), the finance group, (12.1% versus 9.9% nationwide), and services (13.0% versus 7.4%). Incomes grew more slowly in Georgia for government, where federal payrolls fell 3.5%, in the transportation group with only a 2.1% gain as compared to a 5.3% nationwide increase, and in manufacturing, where nondurable payrolls fell in Georgia while rising 4.4% in the nation. Durable payrolls increased an anemic 1.3% in Georgia as compared to a 4.4% expansion nationwide. However, most earnings comparisons in Georgia were favorable, leading to a 6.6% gain for wages and salaries, a full percentage point above the gain registered nationwide. Proprietors also did well in Georgia with a 9.7% fourth quarter gain as compared to a 6.7% gain in the nation. Of course, more favorable employment prospects in Georgia led to a larger decline in unemployment insurance benefits than in the nation. Sharp increases in payroll employment during the first quarter suggest that Georgia once again will outperform the nation in personal income gains.

Sales gains in the South Atlantic states continued to slow relative to the nation, but retail trade remained nearly a percentage point above the nation. In Atlanta, department store sales during the first eleven months of 1986 were 6.6% above the comparable period in 1985. This is nearly 1.5 percentage points above U.S. performance, but trails department store sales gains for the South Atlantic region. Taxable sales rebounded from the summer doldrums in Georgia

during the fall, with sales gains of 6.1% over the previous year. However, taxable sales for the entire year were up only 4.5%. Adjusted for inflation, this suggests that the volume of retail activity in Georgia increased slightly more than 3%. However, retail employment was up 5.6%. Thus, retail activity probably grew excessively by two percentage points relative to sales during 1986. When estimated service expenditures are combined with taxable sales, consumer spending appears to be growing slightly less than 6%. This is more than two percentage points less than the growth in Georgia personal income. Thus, Georgians appear to have increased their savings rates throughout 1986. As a result, consumer spending might increase substantially early in 1987.

In the last reporting month, Georgia's unemployment rate stood at 5.8%, a 0.5 percentage point improvement from the previous year. Unemployment improved slightly more in the United States, but the unemployment rate without seasonal adjustment remained more than 1.5 percentage points above the Georgia rate. Job growth continued to be disappointing in Albany, where the unemployment rate increased by nearly a percentage point over the past year. All other Georgia metropolitan areas experienced unemployment rates below the national average. In Columbus, the unemployment rate increased by 1.3 percentage points, leaving unemployment slightly under national averages. Rapid employment gains in Augusta were more than offset by significant gains in the work force. As a result, a 3% gain in Augusta jobs could not keep the unemployment rate from rising by 0.6 percentage points over the past year. Unemployment in Savannah dropped a full percentage point and currently stands at 6.0%. Unemployment in the Macon area dropped by 1.1 percentage points as household employment expanded 3.4% over the previous year. Unemployment also fell by nearly a percentage point in the Athens area, where employment opportunities began accelerating. Atlanta continued to experience the lowest unemployment rate and the fastest rate of growth of employment of any metropolitan area. However, Atlanta's robust economy continues to attract substantial new entrants into the work force. Estimates of employment by household continue to exceed gains in payroll employment by almost 40,000 in Georgia. It is possible that the payroll estimates continue to understate actual employment gains within the state.

Georgia's insured unemployment rate remains near 1.9% in the winter months while the insured unemployment rate in Atlanta remains near 1.2%. This contrasts with the downward trend in the insured rate nationwide. However, Georgia's rates remain sharply below the 2.5% insured unemployment rate for the nation.

Economic conditions of Georgia's thrift industry continued to outpace the nation and the Southeast during the latest quarter. Deposits in Georgia increased 1.1% as compared to a lesser gain of 0.5% for the nation and a decline of 0.3% in the Southeast. Because of the poor deposit performance in other parts of the Southeast, forward commitments to originate mortgages fell 53.4% while they were declining 41.0% for the nation and a much smaller 17.8% for Georgia. Of course, the amount of commitments outstanding hurt financial institutions when mortgages changed abruptly during the early weeks of April. To the extent that a larger proportion of committed funds was made by Georgia institutions, more substantial slowing in regulatory net worth probably will surface in Georgia during the second quarter. In the first quarter, however, Georgia regulatory net worth did quite well, expanding 6.4%. This compared with a more modest 2.0% gain in the Southeast and a relatively sluggish 0.6% gain for the nation.

Just prior to the April mortgage explosion, effective rates nationwide were down 1.46 percentage points from a year ago. In Atlanta, the decline in effective rates was a smaller 1.29%, but the effective rate was lower in Atlanta. Housing prices nationwide increased $12,900 to $119,500 in the past year. Housing prices were a comparable $119,800 in Atlanta, but that had fallen by $11,100 from a year ago. Effective mortgage rates have now rebounded dramatically and are expected to average more than 10.5% in Atlanta for the remainder of this year. Mortgage rates are expected to remain in that range during next year as well. This will have adverse effects upon the affordability of housing and, therefore, upon housing activity over the next two years in Georgia.

Strength in the Georgia economy during the first quarter is readily apparent in the revenue statistics. Revenues in the past quarter expanded 10.0% from the previous year. This compares with previous year over year gains of 6.4%, 5.9%, 6.4%, and 8.7%. In April, revenue gains were 8.2% above previous year levels. This suggests that a slight slowing in revenues is occurring as the fiscal year draws to an end. However, revenues probably will expand 7.5%, an upward revision from our previous projection of a 6.8% gain. Revenues also are expected to gain 7.5% in the next fiscal year and then accelerate as a result of collection gains through higher inflation to an increase of 8.5%.

Although sales tax receipts in Georgia improved during the latest quarter, they remain substantially below yearly gains for other state and local governments. Sales tax collections increased 5.4%, up from 2.5% in the previous quarter. But in other quarters, the gains were 3.0%, 7.2%, and 5.5% respectively. For all other state and local governments, however, sales tax collections grew 8.5%. In previous quarters, their gains were 7.6%, 7.6%, 5.7%, and 6.2%. This appears to confirm the observation that Georgians were building their savings even as spending was aggressively being pursued in other states. Certainly, incomes were adequate in Georgia, as tax receipts for personal income were up a sharp 12.2%. This compares with gains of 8.0%, 8.9%, 12.4%, 17.0%, and 10.4% in previous quarters. By contrast, personal income tax collections were up only 5.8% for all state and local governments. This was a slowing from still modest increases of 6.9% and 6.7% in previous quarters. Other quarterly gains were 3.9%, 5.2%, and 7.6% respectively. Corporate tax accruals continued to surge in Georgia, showing a 26.3% gain during the first quarter. This compares with gains of 21.2% and 7.5% in previous quarters following declines of 6.5% and 6.9%. All state and local governments also experienced receipts from surging corporate activity with a gain of 28.5%. Previously the gains were 14.6%, 5.8%, 10.5%, and 4.0%. Georgians have been reluctant to spend their growing income as reflected in an unusually low rate of gain for sales tax receipts. If this indicates that savings rates in Georgia are growing, then greater retail activity is possible in Georgia during the next two years than in other parts of the country.

Summary of Outlook

Construction contracts already are off sharply in Georgia and construction activity soon should follow. Several major industrial projects, including the Fort Howard paper plant and the plant Vogtle nuclear power plant are ending their construction phase. In addition, highway improvements in the Atlanta area are gradually winding down. Thus, a significant decline in construction would have occurred even in the absence of any mortgage rate increases. Given the

increase in mortgage rates, housing activity also should slow notably. This also will create weakness in construction related manufacturing industries, all of which are expected to decline modestly in 1988.

Fortunately, manufacturing activity will rebound as a result of improved competitiveness in Georgia manufacturing in comparison to foreign producers. Textile activity already is rebounding sharply, although weakness in the markets for carpet product may slow the rate of textile gain in 1988. Employment weakness in apparel also has come to an end. Other areas profiting from improved international competitiveness are expected to include primary metals, paper exports, and a gradual rebound in chemicals following the closing of a Union Carbide plant in Brunswick. Although the machinery industry also is expected to show modest growth in the next two years, the loss of the investment tax credit probably will slow the degree to which shipments expand. In the transportation equipment area, an important automobile assembly plant will be out of production until the middle of 1987 for model changeover. By the middle of 1988, Lockheed will begin diminishing its work force unless new orders begin developing. Thus, there are some areas of modest weakness in the manufacturing outlook, but manufacturing jobs in Georgia will be growing over the next two years and the gains will be relatively widespread.

Most of the layoffs in the communications industry have been completed. Some further declines in employment in locally-based airlines continue to restrain the transportation component. However, most of these problems will be resolved near the end of this year and more substantial gains will be possible next year.

Because of a significant slowing in wholesale activity in 1986, wholesale trade in Georgia is poised for a significant gain during the forecast period. On the other hand, retail employment probably expanded 2 percentage points more rapidly than retail activity in 1986. If Georgians begin spending their improved incomes in 1987, a modest expansion in retail employment is likely. However, slowing in the retail area is expected in 1988. Slowing also is expected in the finance area, although much of this will be the result of reduced opportunities for real estate brokers. Substantial growth continues to develop in business services, but some slowing is expected in this sector as well, when the national economy hits more troubled waters early in 1988.

Because of strong gains in employment opportunities early in 1987, projections of job gains for Georgia have increased for the next two years. This has resulted in a more favorable unemployment rate than originally expected. Also, population gains in 1987 and 1988 have been revised upward slightly as people continue to come from other parts of the country to take advantage of employment opportunities in Georgia. Because of reduced growth in hourly wages, personal income in 1987 is expected to grow more slowly than in 1986. As inflation is expected to accelerate to 4%, this will only leave about a 2.5% gain in real purchasing power in each of the next two years. Sales tax receipts may continue to be sluggish, although they should rebound from their especially slow pace of the previous year.

Even with substantial slowing in earnings during 1987, the finance and service sectors will continue to show double-digit earnings expansion. In addition, nonfarm proprietors' income should perform well in both years. The farm economy also is expected to pick up following sharp weakness in 1985 that could not be recovered because of the drought during 1986. However, the only

crop aside from the licensed crops, such as tobacco and peanuts, which appears to provide profits at the present time is cotton. Corn, soybeans, and wheat all appear to be money losers again in the forecast period. In addition, dramatic increases in poultry capacity could eliminate substantial profitability from that sector by the early months of 1988.

On balance, Georgia's expansion is gradually slowing as a result of a decline in construction activity that is not fully offset by a rebound in manufacturing prospects. However, the decline appears to be gradual at the present time and economic activity in Georgia will continue to substantially outperform activity nationwide during the next two years.

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ATLANTA TO EXPERIENCE ONE MORE GOOD YEAR IN 1987 BEFORE FALLING CONTSTRUCTION SLOWS ACTIVITY IN 1988

Recent Conditions and Outlook

Payroll employment gains in Atlanta during the first quarter slowed imperceptibly to a 6.0% annual rate, but much of this was caused by the reduction in employment at the Lakewood auto assembly plant, which is scheduled for model changeover. This plant will become operational again after midyear. Also, construction activity began weakening during the quarter, although a slight rebound apparently developed in March. Construction is expected to weaken noticeably as the year progresses as all sectors of the Atlanta construction economy, including public works, begin to fall. On the other hand, the transportation and communications sector, which was slowed by layoffs at a long-distance telephone company and the bankruptcy of an airline, will not remain subdued.

Although manufacturing is not a major component of the Atlanta economy, the rebound in textiles has been especially brisk in the few plants located in the metro area. Apparel continues to weaken in Atlanta, but a turnaround there is soon expected as well. The printing industry continues to grow sharply in Atlanta while durable goods activity other than transportation equipment also appears to be moving forward.

Wholesale trade is on a surprisingly robust growth path that appears not to be sustainable. Some slowing in wholesale employment should be anticipated late this year or early next year. Retail also appears to be growing vigorously. Some slowing in the growth of that activity also should be anticipated.

The growth of financial services has slowed slightly, partially as a result of reduced gains in real estate activity. However, business services have reaccelerated. In the past year, business services have expanded 18% and now account for 100,000 jobs in metro Atlanta. Unlike other service jobs, which may be low-paying, the business services include computer software, computer programming, architectural consultants, and engineering consultants, all of which receive well above national average wages. Apparently, Atlanta is continuing to become a mecca for small consulting activities that branch their efforts throughout the South. Government also appears to have increased its rate of growth in recent months.

Rapid growth of Atlanta's population requires more federal government personnel. In addition, local government has been hiring rapidly to keep up with the additional services required by expanding surburban populations.

Despite developing weakness in construction and temporary sluggishness in transportation equipment, the Atlanta economy should post another year of more than 5% employment gains in 1987. However, some of these gains are being generated in the trade sector, where a surge of activity does not appear to be justified by current needs. The surge in business service activity also cannot be sustained at these growth rates. However, strong service employment gains should persist into 1988. At that time, transportation equipment will be rebounding along with most other manufacturing activities other than construction related manufacturing. A slowing in the financial service sector, some moderation in government growth and a continuing decline in construction will substantially slow employment gains in 1988. Nevertheless, job expansion in excess of 51,000 is anticipated in that year. This will be down from 73,000 new jobs anticipated in 1987.

Because of Atlanta's vibrant economy, people continue to move into the metropolitan area. Current estimates suggest that population gains may accelerate slightly in 1987 before slowing in 1988. As a result, substantial gains in employment will not be sufficient to prevent the unemployment rate from rising gradually in 1988. Obviously, an economy generating 50,000 jobs is not about to fall into a recession in the next two years.

Increased estimates of service employment raise some hope for the overbuilt office market in Atlanta. According to Coldwell Banker statistics, office vacancy rates in surburban Atlanta increased to 21.7%, though that remains below the 23.9% recorded nationwide. In the downtown area, however, vacancies have fallen to a relatively healthy 13.4%. This compares to 16.3% vacancies nationwide. Of course, the downtown area does not include rapidly developing midtown. Even with the decline in downtown vacancies, Atlanta's total vacancy rate rose to 20.2%, continuing to close the gap with national vacancy rates. These vacancy rates probably will increase to more than 23% by the end of 1987. Rental concessions are still substantial in many parts of the Atlanta market and no firming in the effective rental rate of slightly less than $18 per square foot for Class A space is anticipated until early 1988. However, rapid growth of the service economy indicates that the slump in commercial construction may not be as serious as appeared six to twelve months ago.

Although absorption currently is heaviest in the midtown area, a great deal of this is the result of space occupied by building owners. Leasing of uncaptured space remains strongest in the Perimeter and in the Cumberland areas. Although absorption also is reasonably active in the Buckhead area, space proposed and under construction will significantly increase vacancy rates over the next two years. The northeast market into Gwinnett county currently is sluggish. Fortunately, the level of property proposed and under construction has diminished sharply, suggesting that the market will regain balance reasonably soon.

Industrial activity in Atlanta now is significantly outstripping need. During the first quarter the vacancy rate increased to 6.2% and is now above the 5.9% recorded nationwide. Some slowing in industrial construction definitely is warranted at the present time.

Construction of multi-family properties have slumped dramatically during the first quarter. In Cobb and DeKalb, multi-family permits are growing only half as rapidly as a year ago. In Gwinnett, with the aid of a sewer moratorium, permits are off more than 90%. This also reflects a more than 15% vacant rate for multi-family properties in that county. Multi-family activity remains surprisingly robust in Clayton county and also is beginning to heat up in Henry county. However, Fulton county, which was the top producer of multi-family units in 1986 also is experiencing a slump to only one-third of previous activity. As a result, multi-family construction is expected to plunge by 42%, causing overall housing units to fall by a sharp 16%. Indeed, it now appears that housing construction during the next two years will fall below potential absorption. This does not mean that a housing shortage will develop in Atlanta by the end of 1988, for the slump in multi-families is designed to eliminate excess inventories. However, the housing market by the end of 1988 probably will be in a position to renew growth. In addition, substantial increases could develop in resale prices of single-family units once reduced vacancy rates reverse the current concession trend for rentals and begin pushing up rental rates by the end of 1988.

Although Gwinnett county is experiencing a dramatic falloff in apartment activity, its single-family activity once again has regained the lead in the metropolitan area. In the first quarter, Gwinnett was constructing single-family homes at a 7000 annual rate. This compared with only a 5200 rate for Cobb county, a slowing from that county's performance in the previous year. Activity was also slowing in DeKalb, Cherokee, Douglas, and Forsyth counties. Housing activity continued to follow last year's growth path in Fulton and Clayton counties. Single-family activity was accelerating in Fayette, Henry, Newton, Paulding, and Rockdale counties. Thus, suburban sprawl was continuing to intensify.

Taxable sales rebounded smartly in the fourth quarter to show an 8.4% gain from previous year levels. However, taxable sales for the entire year were a relatively sluggish 5.7%, only a percentage point higher than in the state. This suggests that consumption in Atlanta increased less than 7% before inflationary adjustment. Since personal income increased more than 9%, savings increases probably were even more significant in Atlanta than in the remainder of the state. Why this shift in savings behavior in Georgia in comparison to the U.S. is not easy to determine. However, taxable sales were not sufficient to support more than a 4% employment gain in trade activity. Thus, the spurt in trade employment to a gain of 4.9% in 1986 and a currently projected 7% gain in 1987 appears to be excessive. If taxable sales can maintain their newfound vigor, retail employment possibly could show a 6% gain for the year. The excess, therefore, will reduce retail profitability and cause a slowing in the growth of retail activity in 1988.

Rockdale showed the largest rebound in taxable sales in 1986, with a fourth quarter surge of 43% and an annual gain of nearly 18%. Despite rapid housing activity in Henry county, taxable sales have not yet reflected comparable spending patterns. A 9.2% increase in sales last year was only marginally above sales growth metrowide. Of course, the slowing in Gwinnett is very obvious in the taxable sales figures, where taxable sales expanded only 11.2% in 1986, down from a 26.3% gain in 1985, and the lowest sales gains since the recession of 1982. Fayette, on the other hand, shows its increased gains in population with a 25.7% increase in taxable sales. Sales in DeKalb rebounded sharply in the fourth quarter, but they showed only lackluster performance in Fulton and Cobb

counties. Taxable sales also are not responding to increased housing activity in Clayton county. Despite dramatic increases in single- and multi-family activity, sales were only up 8.6% for last year. This was only marginally better than the 8.2% sales gain in Cherokee county, where sales actually fell below metro rates of gain in the fourth quarter.

In summary, the Atlanta economy no longer is showing growth in all sectors. The construction sector definitely is beginning to slide with significant weaknes developing in multi-family construction and in commercial activity. Vacancy rates are high, although a renewed spurt in business services will create higher absorption rates than previously anticipated. Trade employment also appears to be excessive, as employment gains are outstripping sales growth adjusted for inflation by more than a percentage point per year. Retail activity currently has accelerated. Some slowing should be anticipated in 1988, however. Manufacturing activity will expand over the next two years, although the transportation equipment sector is temporarily being impacted by auto model changeovers.

On balance, the exceptionally powerful economic expansion currently fueling the Atlanta economy does not appear to be coming to an end. Some adjustments are required to handle overexuberance in industrial and residential development and in building of retail establishments, but the seeds of a substantial economic slowdown do not appear to have been planted. A slowing to 50,000 job gains in 1988 certainly should not be troubling to too many Atlanta observers.

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Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts for 1987 through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.1	8.4	9.0	9.1	3.9	3.7	7.1	1.1
2. Construction	143.8	156.2	158.3	151.5	9.4	8.6	1.3	-4.3
3. Manufacturing	557.1	564.6	572.5	582.2	1.9	1.3	1.4	1.7
Durables	220.1	222.1	224.4	228.4	6.0	0.9	1.0	1.8
Lumber	35.7	34.9	35.0	34.6	5.0	-2.2	0.3	-1.1
Furniture	11.9	11.8	11.9	11.7	8.2	-0.8	0.8	-1.7
Stone, Clay, Glass	19.9	20.8	20.9	20.7	5.9	4.5	0.5	-1.0
Primary Metals	16.5	15.4	15.5	15.7	1.9	-6.7	0.6	1.3
Fabricated Metals	20.7	20.6	20.7	21.1	2.0	-0.5	0.5	1.9
Nonelectrical Machinery	26.0	26.1	27.0	27.7	7.4	0.4	3.4	2.6
Electrical Machinery	27.7	29.2	29.9	30.8	4.5	5.4	2.4	3.0
Transportation Equipment	49.1	50.9	50.6	52.7	11.3	3.7	-0.6	4.2
Other Durables	12.6	12.3	12.9	13.4	1.6	-2.4	4.9	3.9
Nondurables	337.0	342.5	348.1	353.8	-0.6	1.6	1.6	1.6
Food	59.3	60.6	61.8	63.2	3.7	2.2	2.0	2.3
Textiles	100.8	103.0	106.1	106.6	-3.9	2.2	3.0	0.5
Apparel	70.4	69.8	70.1	70.9	-6.3	-0.9	0.4	1.1
Paper	30.3	31.0	31.6	32.8	1.3	2.3	1.9	3.8
Printing	34.1	36.6	37.6	38.4	10.7	7.3	2.7	2.1
Chemicals	19.3	19.2	18.7	19.1	2.1	-0.5	-2.6	2.1
Leather	1.6	1.5	1.1	1.0	-5.9	-6.3	-26.7	-9.1
Other Nondurables	21.2	20.9	21.1	21.8	3.9	-1.4	1.0	3.3
4. Transportation, Comm. & Utilities	163.0	166.5	169.1	173.1	4.2	2.2	1.6	2.4
5. Trade	643.0	669.6	707.9	734.0	6.7	4.1	5.7	3.7
Wholesale	195.4	197.1	207.3	212.4	4.2	0.9	5.2	2.5
Retail	447.6	472.5	500.6	521.6	7.9	5.6	5.9	4.2
6. Finance, Ins. & Real Estate	136.8	145.3	154.0	160.9	6.6	6.2	6.0	4.5
7. Services	469.3	505.7	541.4	570.2	8.2	7.8	7.1	5.3
8. Government	448.7	458.6	465.0	471.5	1.5	2.2	1.4	1.4
Federal	94.2	96.0	97.5	98.3	5.3	1.9	1.6	0.8
State	104.8	106.9	109.1	111.0	1.0	2.0	2.1	1.7
Local	249.7	255.7	258.4	262.2	0.4	2.4	1.1	1.5
Total Wage & Salary Employment	2569.8	2675.0	2777.2	2852.5	5.0	4.1	3.8	2.7
Unemployment Rate	6.5	5.8	5.5	5.6	8.3	-10.8	-5.2	1.8

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Table 2

Georgia Personal Income for 1985 and 1986 with Forecasts for 1987 and 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	52676	56205	60333	10.3	8.4	6.7	7.3
2. Other Labor Income	4615	5036	5345	5666	10.1	9.1	6.1	6.0
3. Proprietors' Income	5223	5897	6500	7209	1.5	12.9	10.2	10.9
Farm	683	653	688	806	-37.6	-4.4	5.4	17.2
Nonfarm	4540	5244	5812	6403	12.0	15.5	10.8	10.2
Labor & Proprietors' Income:								
1. Farm	833	807	853	988	-33.0	-3.1	5.7	15.8
2. Mining	286	292	310	328	2.3	2.1	6.2	5.8
3. Contract Construction	3876	4613	4905	4858	11.5	19.0	6.3	-1.0
4. Manufacturing	12072	12789	13254	14086	7.1	5.9	3.6	6.3
Durables	5409	5722	5906	6282	10.7	5.8	3.2	6.4
Nondurables	6663	7067	7348	7804	4.6	6.1	4.0	6.2
5. Transportation & Utilities	5478	5717	5978	6413	8.8	4.4	4.6	7.3
6. Trade	11562	12243	13179	14232	12.4	5.9	7.6	8.0
Wholesale	5495	5780	6219	6690	13.0	5.2	7.6	7.6
Retail	6067	6463	6960	7542	12.0	6.5	7.7	8.4
7. Finance, Ins. & Real Estate	3592	4231	4754	5255	18.0	17.8	12.4	10.5
8. Services	10604	11956	13231	14771	13.3	12.8	10.7	11.6
9. Other Industries	256	282	296	324	12.9	10.2	5.0	9.5
10. Government	9889	10678	11290	11953	7.6	8.0	5.7	5.9
Federal Civilian	2501	2621	2780	2900	9.0	4.8	6.1	4.3
Federal Military	1421	1453	1489	1602	3.6	2.3	2.5	7.6
State & Local	5967	6604	7021	7451	8.0	10.7	6.3	6.1
Plus:								
Property Income	10257	10592	10926	11843	8.1	3.3	3.2	8.4
State U.I. Benefits	211	226	254	298	7.7	7.1	12.4	17.3
Other Transfers	9656	10265	10853	11537	8.1	6.3	5.7	6.3
Residence Adjustment	-218	-250	-268	-275	25.5	14.7	7.2	2.6
Less: Social Ins. Contributions	3392	3722	4002	4513	15.3	9.7	7.5	12.8
Equals: Total Personal Income	74960	80720	85813	92098	8.8	7.7	6.3	7.3
Nonfarm Personal Income	74127	79912	84960	91110	9.5	7.8	6.3	7.2
% of U.S. Nonfarm	2.26	2.32	2.34	2.41	---	---	---	---
Population	5975	6104	6224	6342	2.34	2.16	1.97	1.90

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Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.7	1.7	9.0	20.8	13.3	0.0
2. Contract Construction	71.6	78.4	80.6	74.5	12.6	9.5	2.8	-7.6
3. Manufacturing	185.6	192.2	194.5	199.6	5.9	3.6	1.2	2.6
Durables	97.4	100.6	100.7	103.5	9.3	3.3	0.1	2.8
Lumber	4.9	5.1	5.3	5.2	28.9	4.1	3.9	-1.9
Furniture	4.7	4.5	4.5	4.4	2.2	-4.3	0.0	-2.2
Stone, Clay, Glass	9.5	10.2	10.5	10.3	9.2	7.4	2.9	-1.9
Primary Metals	6.9	6.6	6.8	7.0	7.8	-4.3	3.0	2.9
Fabricated Metals	9.3	9.2	8.9	9.1	5.7	-1.1	-3.3	2.2
Nonelectrical Machinery	10.5	11.0	11.3	11.8	9.4	4.8	2.7	4.4
Electrical Machinery	14.2	15.5	15.4	16.0	7.6	9.2	-0.6	3.9
Transportation Equipment	31.8	32.9	32.3	33.8	11.2	3.5	-1.8	4.6
Other Durables	5.7	5.7	5.7	5.9	7.5	0.0	0.0	3.5
Nondurables	88.2	91.6	93.8	96.1	2.3	3.9	2.4	2.5
Food	20.6	21.9	22.0	22.4	3.5	6.3	0.5	1.8
Textiles	7.5	7.2	7.8	8.0	-10.7	-4.0	8.3	2.6
Apparel	12.7	12.4	12.0	12.3	-3.8	-2.4	-3.2	2.5
Paper	8.6	8.9	9.6	10.0	2.4	3.5	7.9	4.2
Printing	21.5	23.3	24.1	24.6	8.6	8.4	3.4	2.1
Chemicals	9.5	9.6	9.9	10.2	2.2	1.1	3.1	3.0
Other Nondurables	7.7	8.2	8.4	8.6	5.5	6.5	2.4	2.4
4. Transportation, Comm. & Utilities	104.8	108.4	111.1	113.7	4.4	3.4	2.5	2.3
5. Trade	350.7	368.0	393.9	412.8	3.9	4.9	7.0	4.8
Wholesale	125.4	129.3	137.8	141.6	1.1	3.1	6.6	2.8
Retail	225.3	238.7	256.1	271.2	5.5	5.9	7.3	5.9
6. Finance, Ins. and Real Estate	88.9	94.4	99.2	103.6	7.9	6.2	5.1	4.4
7. Services	281.7	304.6	333.4	354.8	8.9	8.1	9.5	6.4
8. Government	178.0	183.5	189.6	195.0	2.1	3.1	3.3	2.8
Federal	38.3	39.4	40.8	41.9	6.1	2.9	3.6	2.7
State	35.5	36.4	37.5	38.4	0.9	2.5	3.0	2.4
Local	104.2	107.7	111.3	114.7	1.2	3.4	3.3	3.1
Total Wage & Salary Employment	1262.6	1331.0	1404.0	1455.7	5.8	5.4	5.5	3.7
Unemployment Rate	5.0	4.5	4.4	4.7	4.2	-10.0	-2.2	6.8

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Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts through 1988
(Millions of Dollars)

	1985	1986r	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26484	29131	31643	34299	11.6	10.0	8.6	8.4
2. Other Labor Income	2719	2985	3183	3377	11.5	9.8	6.6	6.1
3. Proprietors' Income	1796	2068	2285	2537	10.7	15.1	10.5	11.0
Farm	87	80	81	90	-14.5	-8.0	1.3	11.1
Nonfarm	1709	1988	2204	2447	13.3	16.3	10.9	11.0
Labor & Proprietors' Income:								
1. Farm	103	98	102	114	-13.0	-4.9	4.1	11.8
2. Contract Construction	1828	2192	2363	2265	14.7	19.9	7.8	-4.3
3. Manufacturing	4942	5351	5530	5932	11.2	8.3	3.3	7.3
Durables	2896	3133	3206	3443	14.0	8.2	2.3	7.4
Nondurables	2046	2218	2324	2489	7.5	8.4	4.8	7.1
4. Transportation & Utilities	3823	4037	4259	4566	9.0	5.6	5.5	7.2
5. Trade	7337	7860	8571	9330	9.7	7.1	9.0	8.9
Wholesale	4168	4476	4879	5265	9.9	7.4	9.0	7.9
Retail	3169	3384	3692	4065	9.6	6.8	9.1	10.1
6. Finance, Ins. & Real Estate	2617	3083	3437	3795	19.3	17.8	11.5	10.4
7. Services	6323	7151	8088	9115	14.0	13.1	13.1	12.7
8. Other Industries	148	167	187	204	11.7	12.9	11.8	9.0
9. Government	3878	4245	4574	4892	8.2	9.5	7.8	7.0
Federal Civilian	1106	1170	1265	1343	9.8	5.8	8.1	6.2
Federal Military	223	230	234	246	3.5	3.0	1.8	5.3
State & Local	2549	2845	3075	3303	8.4	11.6	8.1	7.4
Plus:								
Property Income	5338	5578	5785	6317	8.6	4.5	3.7	9.2
Transfer Payments	3209	3417	3623	3865	8.0	6.5	6.0	6.7
Residence Adjustment	-1181	-1288	-1350	-1391	15.3	9.1	4.8	3.0
Less: Social Ins. Contributions	2001	2228	2438	2776	16.6	11.3	9.4	13.9
Equals: Total Personal Income	36364	39663	42731	46228	10.3	9.1	7.7	8.2
Nonfarm Personal Income	36261	39565	42629	46114	10.4	9.1	7.7	8.2
% of Georgia Nonfarm	48.92	49.51	50.18	50.61	---	---	---	---
Population (#,Thousands)	2472	2564	2660	2751	3.84	3.72	3.75	3.43

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Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-1(r)	86-2(r)	86-3(r)	86-4(r)	87-1(p)	Mar(p)	86-1(r)	86-2(r)	86-3(r)	86-4(r)	87-1(p)	Mar(p)
Total	2638.1	2657.6	2684.8	2717.9	2757.4	2756.8	1302.4	1318.6	1340.8	1361.5	1381.6	1384.7
Mining	8.3	8.1	8.6	8.8	8.9	8.9	1.3	1.3	1.6	1.7	1.7	1.7
Contract Construction	151.9	153.1	157.2	162.1	163.9	160.1	71.3	75.1	82.8	84.7	80.7	82.6
Manufacturing	567.5	563.8	562.1	564.9	568.4	570.5	193.4	192.2	190.5	192.8	192.7	192.0
Durables	224.9	221.9	219.7	221.8	222.9	223.7	102.5	100.8	98.6	100.6	99.8	99.6
Lumber	35.7	34.9	34.2	34.9	35.1	35.1	5.1	5.2	5.0	5.2	5.3	5.3
Furniture	12.0	11.7	11.7	11.7	11.9	12.0	4.6	4.5	4.4	4.5	4.6	4.4
Stone, Clay, Glass	20.8	20.8	20.9	20.9	21.0	21.0	10.1	10.0	10.2	10.4	10.5	10.5
Primary Metals	15.6	15.1	15.4	15.2	15.3	15.5	6.8	6.1	6.8	6.6	6.7	6.8
Fabricated Metals	20.1	20.6	20.4	20.5	20.6	20.7	9.4	9.3	9.2	8.8	8.8	8.8
Nonelectrical Machinery	26.6	26.0	25.8	25.9	26.3	26.6	11.2	10.9	11.2	10.6	11.2	11.2
Electrical Machinery	29.3	29.5	29.2	29.0	29.7	30.0	15.8	15.3	15.4	15.4	15.3	15.3
Transportation Equipment	51.4	51.0	50.0	51.3	50.2	50.0	33.7	33.7	30.7	33.6	31.9	31.5
Other Durables	12.4	12.2	12.1	12.4	12.7	12.8	5.8	5.8	5.7	5.6	5.6	5.7
Nondurables	342.7	341.9	342.4	343.1	345.4	346.8	90.9	91.4	92.0	92.2	92.9	92.5
Food	60.2	60.3	60.8	61.0	61.4	61.6	21.7	21.9	22.0	21.8	21.9	21.8
Textiles	102.1	102.3	103.7	104.1	105.3	106.2	7.0	7.2	7.3	7.5	7.7	7.7
Apparel	70.5	70.0	69.4	69.1	69.8	69.9	12.6	12.5	12.4	12.2	11.8	11.9
Paper	30.7	31.1	30.9	31.2	31.3	31.3	8.8	8.8	9.0	9.2	9.3	9.3
Printing	35.8	36.5	36.7	37.2	37.2	37.2	22.9	23.1	23.3	23.7	23.9	23.8
Chemicals	19.4	19.2	19.3	19.0	18.7	18.6	9.5	9.6	9.9	9.5	9.7	9.7
Leather	1.7	1.6	1.4	1.3	1.2	1.2	---	---	---	---	---	---
Other Nondurables	22.3	20.9	20.2	20.3	20.6	20.8	8.4	8.3	8.0	8.3	8.7	8.3
Transportation, Comm. & Util.	165.9	166.0	166.8	167.3	169.1	169.1	107.3	107.7	109.1	109.5	110.3	110.3
Trade	654.5	664.2	674.6	684.4	700.4	700.5	358.9	364.4	370.5	377.7	387.7	387.2
Wholesale	193.6	195.0	196.6	203.1	205.4	204.8	126.4	128.3	130.0	132.6	135.7	135.5
Retail	460.9	469.1	478.0	481.3	495.1	495.7	232.5	236.1	240.5	245.1	252.0	251.7
Finance, Ins. & Real Estate	141.4	144.0	146.8	149.1	150.8	150.6	92.2	93.8	95.2	96.6	97.7	97.6
Services	490.7	499.8	508.6	523.4	532.6	533.3	294.9	300.1	307.5	315.3	323.5	323.8
Government	457.9	458.6	460.0	458.0	463.3	464.0	183.2	184.2	183.6	183.2	187.3	189.5
Federal	96.9	95.8	95.2	96.1	97.1	97.5	39.6	39.5	39.1	39.6	40.2	40.4
State and Local	361.0	362.7	364.8	361.8	366.2	366.5	143.6	144.8	144.5	143.6	147.1	149.0
State	106.9	106.9	106.5	107.3	109.0	108.9	36.6	36.4	36.0	36.7	36.5	37.3
Local	254.2	255.9	258.3	254.5	257.2	257.6	107.1	108.3	108.5	106.9	109.6	111.8

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Table 6 Metro Atlanta Housing Permits for 1984 through 1986 with Forecasts through 1988

	1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	---	66	4	64	0	115	0	130	0
Cherokee	1446	28	1632	155	2450	265	2140	120	2060	150
Clayton	1088	717	1408	1424	1559	1832	1670	1560	1260	940
Cobb	5547	3669	5713	3003	5875	3922	5330	2420	5180	1760
DeKalb	2241	3951	2686	4302	3265	3647	2760	2020	2480	1760
Douglas	497	45	702	189	779	242	710	40	880	270
Fayette	----	----	692	0	822	15	1170	0	1150	0
Forsyth	609	53	718	76	782	88	755	20	765	40
Fulton	2549	4010	3048	4143	3416	4259	3170	2430	2980	2060
Gwinnett	5731	6401	6905	4112	5728	4062	6560	1630	6140	1840
Henry	656	192	899	126	1322	164	1640	460	1780	530
Newton	----	----	311	14	373	62	440	45	600	60
Paulding	----	----	718	0	927	6	1280	10	1340	20
Rockdale	608	214	692	120	1075	283	1070	130	1136	160
Walton	----	----	286	0	343	0	300	0	320	0
Total	21039	19280	26476	17668	28780	18847	29110	10885	28201	9590
% Change From Previous Year			+22.7	-8.5	+8.7	+6.7	+1.1	-42.2	-3.1	-11.9
% Change in Total (single + multi)			+7.8		+7.9		-16.0		-5.5	
Estimated Potential Absorption (000)	40.6		48.0		43.9		43.4		42.9	

NOTE: Condominiums and fee simple town homes are included in the multi-family totals. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

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Georgia & Atlanta

1987–1988

Five Year Atlanta Forecast

Economic Forecasting Center

Georgia State University, College of Business Administration, August 1987

Dr. Donald Ratajczak, Director

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

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GEORGIA'S ECONOMY SLOWS DESPITE SOME STRENGTH IN INDUSTRIAL SECTOR

Dr. Donald Ratajczak
Director
Economic Forecasting Center

Summary

Economic activity after seasonal adjustment came to a halt in Georgia during the second quarter. Although construction activity remained unchanged, seasonal factors normally cause significant growth in construction. As a result, actual construction job reductions will be experienced during the fall and winter months. Retailing also has slowed sharply as retail sales in the entire South Atlantic region slowed following strong performances the previous year.

Fortunately, the dollar's decline has increased the competitiveness of Georgia industry. Gains are especially noteworthy for the previously lackluster textile industry. The machinery, chemicals, and paper industries should also increase activity in the next twelve months. Thus, pockets of strength are offsetting pockets of weakness in retail and construction activity. Indeed, Georgia's unemployment rate may decline to 5.2% in 1987, although employment growth also will slow to only a 3% gain. Continued weakness in construction should cause employment to grow at a modest 2.4% in 1988.

Following surprisingly robust growth during the first quarter, Georgia's state product experienced minimal growth in the spring after seasonal adjustment. More significant economic expansion is anticipated during the second half, however. As a result, Georgia's state product should grow nearly 4%, a modest slowing from the 4.7% experienced in 1986. Growth in 1988 is expected to slow further to 3.5%. Although Georgia's personal income continued to grow more rapidly than in the United States during the first quarter, growth is not expected to exceed the national average during the remainder of the year. Relatively robust earnings gains in construction during the past two years will be replaced by minimal growth in the next two years. Farm income should recover substantially from first quarter weakness, although a salmonella scare has reduced prices for poultry products, which could cut more than $100 million from previously projected farm incomes. A modest recovery in farm incomes then is anticipated in 1988.

Recent Conditions

After seasonal adjustment, payroll employment in Georgia showed no increase in the second quarter. This is the first quarterly decline in our estimates of payroll employment since the 1982 recession, and contrasts with a 1.3% increase in payrolls after seasonal adjustment at the national level. This suggests that personal income in Georgia probably will grow more slowly than nationwide in the spring following a slightly more rapid rate of expansion during the winter months.

Most of the employment weakness during the spring was in contract construction and retail employment. Some earnings problems at regional banks also restrained employment gains there.

Partially offsetting the area's employment weakness are continued strong gains in the transportation sector, especially in communications and utilities. Also, services continue to expand, although the degree of growth in business services slowed substantially. Government employment continued to grow, however, with most of the gains occurring in local government.

Some weakness in contract construction should be anticipated through the remainder of this year, although a significant portion of the adjustment already has occurred. First half weakness clearly reflects an unusually sharp 17% decline in construction contracts in Georgia. This contrasts with a 2% gain in contracts nationwide. Also, housing activity has slowed dramatically, although some strengthening in single-family activity appears to be resurfacing in June and July following a virtual shutdown of real estate activity in May during a period of unusually disorderly and rising mortgage rates.

Weakness in construction also is reflected in weakness in construction-related manufacturing activities. Some of this weakness in furniture and the stone, clay group is expected to persist into 1988. Growth in nonelectrical machinery should intensify, helping offset those areas of weakness. In addition, modest employment growth is expected in the metals group next year. Transportation equipment may be reaching peak levels of employment, as the Lockheed-Georgia facility has reached peak employment for its current production lines and will soon have to reduce employment if no new products are forthcoming. By the end of 1988, it is assumed that Lockheed-Georgia will reduce employment by more than 8000 from current levels.

Current weakness in retailing appears to be a delayed response to the retail overemployment that occurred in 1985 and was not corrected in 1986. In addition, consumer spending has begun to grow more slowly in Georgia than in the United States. Georgia's coincident indicators are less helpful than normal in gauging Georgia's economy as a shifting payment pattern for corporate taxes has substantially altered that component of the index. However, even adjusting for the corporate tax payment problems, the coincident indicators were lackluster in the spring. Most of the increase outside the corporate sector was in the farm sector, which was recovering from unusually weak conditions in the previous year. Total hours worked fell slightly in the spring, tending to confirm a minimal rate of economic expansion at that time. In June, the payments problem associated with corporate taxes appeared to have ended and the coincident index showed a modest rate of expansion. Indeed, even the index of hours worked rebounded that month. Thus, more significant growth in the Georgia economy probably will be apparent in the summer months.

Georgia's leading indicators expanded a nearly normal 3.2% at annual rates during the spring, but slowed significantly in June. Initial unemployment claims, which had been declining substantially during the first five months, rose in June. After adjustment for inflation, revenues fell in June, following five months of more rapid gains than underlying prices. The consumer, on the other hand, increased spending in the spring. The construction indicators were mixed, with residential permits rebounding in June from a sharp decline in May while nonresidential construction contracts slipped in June after inflation adjustment following a significant rebound in May. On balance, the leading indicators suggest that continued modest economic expansion is expected in Georgia during the second half of this year.

Moreover, the ratio of the leading to coincident indicators has improved, suggesting that recent economic activity has been below sustainable levels.

During the first quarter, the farm economy nationwide rebounded more strongly than in Georgia, as more crop support programs were available for farmers nationwide than in drought-striken Georgia. Income from the Georgia nonfarm economy grew more rapidly than nationwide during the first quarter. More than national average rates of gain were recorded for mining, wholesale and retail trade, financial services, business services, and state and local government payrolls. Earnings grew more slowly in Georgia for the military, both durable and nondurable manufacturing, and construction. Unemployment benefits jumped sharply in Georgia while they were declining nationwide.

Because of gains in the service and retail economies, wage and salary gains were slightly stronger in Georgia than nationwide. If our seasonally adjusted payroll estimates are correct, personal income gains at an annual rate in Georgia should trail national performance during the spring.

Sales gains in the South Atlantic states slowed further relative to the nation although retail trade remained slightly above the nation over the past year. During the first five months of 1987, retail sales in Atlanta were a dramatic 10.1% behind previous year levels. Much of this weakness was in nondurable goods, as sales in department stores were more than 8% above previous year levels. In Georgia, taxable sales slowed slightly to only a 5.8% gain from previous year levels as compared to a 6.1% gain in the fall quarter. After inflation, this indicates that the volume of retail activity in Georgia increased 3%. Obviously, a 5.6% increase in retail employment during the past year was more than sufficient to meet these sales. After adjustment for service expenditures, consumption growth probably was in the vicinity of 7%. This is a percentage point less than the increase in Georgia disposable income. Thus, Georgians continued to add to their savings in 1986 and early 1987.

Despite slowing in employment opportunities, the Georgia unemployment rate fell by nearly a percentage point over the past year to 5.1% in June. This compares with a percentage point improvement in the United States to an unadjusted 6.3% in the comparable month. Most of the improvement in unemployment outside of Atlanta is the result of minimal growth in the labor force and more significant growth in employment opportunities. Indeed, the household surveys show that the labor force outside of Atlanta grew less than 4600. At the sames time, employment outside Atlanta, according to household surveys, expanded more than 27,000. Labor force reductions largely helped Albany reduce its unemployment rate by 3 percentage points to 9.1% in June. However, employment did rebound by more than a thousand jobs in the first monthly comparison beyond the closing of the Firestone tire plant. The other metropolitan areas in Georgia also showed significant unemployment improvement. The unemployment rate in Columbus fell by nealy 2 percentage points to 5.8% as robust employment gains and sluggish labor force growth whittled away the unemployed. Unemployment in Savannah was down by a percentage point to 5.6% despite problems associated with the USL bankruptcy at the Savannah port. Augusta also had a 5.6 unemployment rate, but this was only marginally better than a year ago as a result of significant gains in the labor force that were offset by equally significant employment gains. Macon showed even a larger percentage gain in employment as its unemployment rate fell by nearly a percentage point to 5.4%. However, unemployment appeared to increase more than seasonally between May and June. Atlanta's strong employment gains were nearly offset by equally strong gains in the labor force, thereby causing the unemployment rate to fall only modestly to 4.4%. The lowest unemployment rate in the state occurred in Athens where the unemployment rate has improved a

percentage point to 3.8% as employment grew a vigorous 4.7% in the past year. There has been a slight narrowing in the employment estimates by household and payroll in the past few months. However, the household survey still shows 20,000 more job gains than the payroll surveys.

Despite signs of weakness in construction and retail, Georgia's insured unemployment rate, which is more heavily industrial based, fell to less than 1.5% in June. In Atlanta, the rate is slightly below 1.2%. Nationwide, the insured unemployment rate also fell, but only marginally to 2.4%. In previous economic cycles, insured unemployment rates below 1.5% for Georgia and below 1.0% for Atlanta began to generate wage increases that reflected shortages in labor skills. Thus, in the absence of increased migration from other states, wage pressures could begin to develop and reduce the near term attractiveness of Georgia.

As feared, Georgia's thrift industry had too many mortgage commitments outstanding when interest rates abruptly rose in April. Thus, regulatory capital in Georgia institutions decreased 0.5% in the latest quarter. This compares with an increase of 0.8% nationwide and 2.1% in the entire Southeast. Deposit growth was relatively modest throughout the thrift industry. Georgia institutions experienced a gain of 0.5%. This compared with only a 0.2% gain for the nation and a decline of 0.4% in the Southeast. Obviously, Georgia institutions became conservative following overextended commitments in the past quarter. As a result, commitments to originate mortgages in the usually heavy spring quarter were up only 5.5% in Georgia institutions. This compared with a gain of 18.9% in all institutions nationwide and a larger gain of 25.8% for Southeastern institutions. Now that mortgage rates have stabilized, some expansion in Georgia regulatory capital should be anticipated next quarter.

The explosion in mortgage rates is not yet readily apparent in the effective rates on all loans closed. Using this mortgage benchmark, mortgages nationwide still are down 0.76 percentage points from a year ago. In Atlanta, a somewhat lower effective rate was down 0.80 percentage points from the previous year. Housing prices nationwide were $117,900, up $7500 from the previous year. This compares with a housing price of $126,200 in Atlanta, an increase of $18,100 from a year ago. Effective mortgage rates probably will average 10.5% in Atlanta for the remainder of this year and continue to rise slightly to almost 11% in 1988. However, most of the damage in housing activity occurred in May and June following the mortgage rate explosion. As institutions become more willing to provide commitments, housing activity should firm slightly at these high but relatively stable mortgage rates.

Revenue collections suggest that the Georgia economy slowed during the second quarter. Revenue gains were up only 6.9% from the quarter of the previous year. This compares with year over year gains of 10.0%, 6.4%, 5.9%, and 6.4% in previous quarters. Moreover, revenue gains in June slowed to only 5.6% above year ago levels. As a result of this slowing, collections in the last fiscal year were up 7.1%, slightly below the 7.5% anticipated three months ago. However, this sluggish activity is not expected to persist. Therefore, revenues should grow nearly 8% in the next fiscal year and possibly accelerate slightly to a gain of 8.5% in the year after that.

For the first time since the beginning of this decade, year over year tax collections for sales taxes, personal income, and corporate tax accruals all were lower in Georgia than in the nation. Sales tax collections were up a

sluggish 5.1%. This compared with gains of 5.4%, 2.5%, 3.0%, and 7.2% in previous quarters. All other state and local governments saw their sales tax collections grow by 7.6%. In previous quarters these gains were 8.5%, 7.6%, 7.6%, and 5.7%. Personal income tax collections slowed their rate of gain in Georgia to only 9.6% in the second quarter. This compared with gains of 12.2%, 8.0%, 8.9%, and 12.4% in previous quarters. Aided by heavy capital gains taxes, personal income tax collections were up a resounding 13.1% from previous year levels for all state and local governments. This was a substantial rebound from gains of 5.8%, 6.9%, 6.7%, and 3.9% in previous quarters. Corporate tax accruals slowed to only a 2.9% gain over the quarter and actually showed a decline in June. This compares with gains of 26.3%, 21.2%, and 7.5% in previous quarters. All state and local governments did not experience the same slowing in tax accruals, as their gains were a still-robust 15.9%. This compared with gains of 28.5%, 14.6%, 5.8%, and 10.5%. Revenue estimates provide one more piece of evidence that the Georgia economy slowed relative to the national economy during the second quarter.

Summary of Outlook

As the above figures on Georgia thrift activity, tax receipts, and taxable sales show, employment weakness in Georgia has not been confined to the construction industry. However, the construction industry clearly is where most of the weakness currently is surfacing. Several large industrial construction projects are winding down. In addition, highway construction appears to be slowing following a significant surge in the past two years. The substantial falloff in construction contracts during the first half of 1987 also indicates that commercial activity is slowing throughout the state. A sharp increase in mortgage rates in April accentuated developing weakness in the housing sector. Apartment activity already was slowing significantly prior to the mortgage rate surge. Because sales slowed abruptly, single-family activity also weakened.

The construction-related manufacturing industries also are beginning to experience weakness, which should continue into 1988. However, improving competitiveness of Georgia industries that is being generated by the dollar's weakness should cause the metals industry to rebound from a modest 1986 slump. Machinery already is showing some strength and should strengthen further. An auto assembly plant is currently on layoff for extensive remodeling. However, the rebound in transportation equipment employment following the end of this remodeling will not be as substantial as otherwise would develop because of significant slowing in the employment in 1988 of a major aerospace company. Nevertheless, some acceleration in durable payroll growth should develop.

Increased competitiveness appears to be not enough to turn around the Georgia apparel industry. However, the textile industry certainly is doing quite well. Unfortunately, weakness in automobiles, commercial activity, and housing sales nationwide should slow the currently booming carpet industry. However, yarn and cotton weaving plants could overcome employment weakness suffered as carpet activity adjusts. Weakness in chemicals appears to be the result of some plant closings along the coast. With improvement in the competitiveness of Georgia industry, some rebound in chemicals is now anticipated next year.

Despite the slowing in textile employment opportunities, nondurable employment should grow at moderate rates over the next two years. Sharp gains

in communications payrolls will be matched by significant gains in payrolls by utilities and the trucking industry as more American goods are distributed. However, the slump in retail employment activity during the spring is only expected to be modestly reversed. Also, wholesale activity should expand slowly in 1988. A similar slowing in the growth of the financial sector also is anticipated. Part of this will be the result of reduced employment opportunities in real estate. However, some earnings difficulties at regional banks will also restrict the growth of employment by financial institutions. In 1988, an anticipated reduction in trading volume on the exchanges should slow the growth of employment opportunities in the brokerage and underwriting industries.

The surge in employment opportunities in business services appears to be subsiding. Much of this employment increase was the result of extensive use of temporaries. As employment opportunities slow, however, the demand for temporaries is expected to slow disproportionately. Also, as the rate of building completions slow, the use of maintenance and security services for such buildings should also expand at a slower rate. Opportunities in the government sector already have slowed modestly as local governments have lost general revenue sharing. This has created restraints upon budgetary processes. No substantial further slowing in government is expected, however, as growing populations will demand increased services.

With substantial slowing in employment opportunities for construction workers and retail personnel, and with some slowing even in the financial and business service sectors, employment growth in the state should slow notably. Only 80,300 jobs are expected to be created in 1987. Job creation in 1988 should slow to 65,800 jobs. As employment opportunities slow, migration into the state also is expected to slow. As a result, the unemployment rate should rise only slowly next year, but should rice.

The slower gains in employment opportunities will be reflected in reduced gains for personal income during 1987. Moreover, inflation probably will rebound in Georgia to more than 4%. Thus, real purchasing power will gain less than 3%. A projected 4.3% gain in retail employment, while significantly slower than in previous years, will still be slightly excessive for this degree of purchasing power. However, the Georgia consumer increased savings in 1986 and probably will be in a position to support that degree of retail employment growth in 1987.

In 1988 higher inflationary pressures should begin to put upward pressures on wages in the Georgia economy. As a result, personal income will grow more vigorously even as inflation intensifies slightly. Real purchasing power probably will expand about 3% in that year. This is largely consistent with the 3.2% gain projected for retail employment.

The slowing in employment opportunities is expected to slow migration into the state. As a result, population gains should slow from more than 2% per year in 1986 to slightly less than 2% during the next two years.

On balance, the Georgia economy must remove excesses in construction and also slow its rate of expansion in retail activity. Because of sluggishness in parts of the economy, the demand for temporaries and for janitorial and security services, all of which are in the business service category, will also grow more slowly. Thus, especially vigorous rates of employment growth that Georgia experienced in the past several years are not expected to persist.

SLOWER GROWTH ALSO SEEN FOR ATLANTA

Recent Conditions and Outlook

Seasonally adjusted payroll employment fell modestly in Atlanta, showing the first weakness in employment opportunities since a brief decline in 1982. As in the remainder of the state, much of the cause of this weakness was in construction and the slowing of retail trade employment. However, the trade sector did not show as large a decline as in the state.

The weakness in construction is overdue and reflects the absence of any new public works or commercial activity. In addition, the sales slump in housing initiated by the return to double-digit mortgages also significantly reduced residential construction. Further slowing in construction is anticipated, although the absorption of available space may eliminate excess construction activity more quickly than originally anticipated.

The construction-related manufacturing sectors all showed weakness in Atlanta, as they did in the state. However, some of the earlier gains made by the stone and clay sector continues to prevail. The metals sector also performed better in Atlanta than statewide. Machinery showed stronger gains as well. As a result, employment gains for durable goods industries were more substantial in Atlanta during the second quarter than in the state.

In nondurables, the absence of significant textile activity in Atlanta caused a modest slowing. Weakness in the apparel industry may persist, but the textile industry should show modest improvement in the months ahead. Rapid expansion in printing has ended, but further gains are expected in that sector.

As anticipated, the transportation sector showed significant payroll gains during the spring. These gains were well distributed among utilities and communications industries as well as the transportation sector. Further gains are continuing into the third quarter. As a result, this sector will be a significant contributor to employment gains in the next two years.

The finance and service sectors both showed significant employment slowing in the spring. In the case of the financial group, this slowing reflects earnings concerns at some regional banks and could persist into 1988. In addition, slowing in real estate activity during the spring will cause expansion in real estate agents to come to a halt. In the services, however, slower growth is expected to be temporary. Business services should continue to rebound smartly while health services also are expected to expand. The government also should contribute significantly to employment gains over the next two years. Educational requirements are continuing to exert upward pressure in the education component of local government. Stronger population gains also require increased services at the state and federal level.

A sharp slump is developing in construction, but no substantial slowing appears to be developing in any other critical sector. Modest slowing is developing in the financial sector. However, manufacturing activity probably will grow more robustly despite reductions in transportation equipment employment, related to reductions at Lockheed-Georgia. Because of rapid population gains, the reduced rate of growth in payrolls will cause the unemployment rate to rise modestly next year.

Our most recent population estimates show a slight slowing in the migration into Atlanta in 1986. With employment opportunities growing more slowly in the next two years, further migration slowing is anticipated. By 1988, population growth will be slightly less than 3%. These shifts in population movements have led to a revision in the estimated potential abosrption of housing units. However, the dramatic slump in apartment construction that currently is developing will reduce the amount of new units more rapidly than the slowing in household formations. Therefore, any excesses in the housing market should be removed early in 1988.

According to the Coldwell Banker office vacancy survey, vacancies in Atlanta have fallen to the lowest level since September 1985. Vacancies in the downtown area are now at a sustainable 10.0%, which compares quite favorably with 16.3% estimated nationwide in downtown areas. However, the Atlanta downtown area ends at the Peachtree Summit Building and does not include the significant vacancies that are beginning to materialize as construction completions develop in the Midtown area. Suburban vacancy rates also have dipped slightly to 19.7% in Atlanta in comparison to 22.7% nationwide. These figures strongly suggest that unusually high aborption rates of the first quarter are being sustained during the second quarter. Of course, the slowing in business service growth will probably reduce absorption rates during the second half of this year. At that time, vacancy rates should rise slightly in Atlanta despite reduced completions. Nevertheless, these office vacancy rates definitely are encouraging and suggest that sufficient vibrancy remains in the Atlanta economy to establish a reasonable balance between demand and supply before the end of this decade. Indeed, the market already is balanced in the downtown area. Nevertheless, rent concessions continue to be widespread and there has been no significant increase in the effective rental rate during the past two years.

Just as industrial activity was about to become seriously overbuilt in Atlanta, a combination of reduced supply and increased demand have caused absorption to outstrip completions. As a result, the vacancy rate has fallen to 5.0%, a significant improvement from the 6.1% registered nationwide. Moreover, this is down from 5.7% in the previous quarter. Significant amounts of industrial supplies still are scheduled to come on the market in the second half of the year. However, it now appears that the vacancy rates will not rise significantly this year from previous year levels. This suggests that the absorption rate is running in excess of eleven million square-feet. Except for the current inventory overhang, this rate of absorption would establish good balance between demand and supply in the industrial sector. Thus, the slump in construction activity may not be as prolonged as appeared likely six months ago. Construction will be down sharply over the next year, but a rebound already could begin developing before the end of 1988.

Apartment construction has slowed dramatically in the Atlanta area during the first six months. Activity metrowide is down 60%. The largest decline is in Gwinnett, where no apartment permits have been issued this year in comparison to 1844 issued a year ago. The decline is nearly as bad in Fulton outside Atlanta where apartment permits are down 96% to only 30 from 833 a year ago. Surprisingly, permits are up in Cobb county as several large projects were able to obtain financing. However, the vacancy rates are much lower than in Gwinnett. Given this first half collapse in the apartment market, it now appears that multi-family permits will be down almost 60% for the year. Even Cobb county is expected to have fewer apartment permits than in the previous year, although it will easily outdistance all the other counties.

In fact, the apartment collapse is so dramatic that it alone would be driving new housing units below projected household formations. However, the single-family market also has been unhinged by a dramatic rise in mortgage rates. Although a second half recovery in housing activity is anticipated, single-family permits will be down for this year. Unlike apartment activity, however, Gwinnett has not been one of the counties experiencing declines. However, the overhang of inventory will slow housing activity slightly in the next six months. The other counties showing increasing single-family activity in the first half include Rockdale +6%, Fayette +25%, Henry +18%, and Paulding +51%. The high cost of land on the north side has forced builders to provide $150,000 homes in areas where people's incomes can support only $100,000 homes. Some of the resale activity in developments on the north side has been especially weak. This has slowed consumer acceptance. However, the resale market in general remains strong in Atlanta suggesting that the housing market will rebound for single-family homes in 1988 even if mortgage rates remain near current levels. If mortgage rates decline, the developing imbalance between potential household formations and additional housing units could cause a demand imbalance, leading to significantly higher housing prices. Indeed, the dramatic falloff in apartment activity probably accelerates the speed by which the Atlanta housing market will regain balance. Apartments probably will weaken further in 1988 to force the vacancy rates toward an economically sustainable 5.5% under prevailing tax laws. However, rents should begin rising relative to inflation by the middle of 1988 and this should begin stimulating single-family housing activity by the end of that year.

During the first quarter, taxable sales in Atlanta had slowed to only a half percentage point above sales growth statewide. At 6.4%, this suggests that total consumption in Atlanta probably was only 7% above previous year levels. Personal income is growing faster than that. Moreover, disposable income probably has increased a percentage point more than estimated consumption. Thus, the savings rate should be rising by about a percentage point in Atlanta. On the other hand, the magnitude of taxable sales adjusted for inflation suggests that employment gains in trade activities should only be 4%. Our current projections, though less than three months ago, continue to show more than a two percentage point excess in retail employment relative to purchasing power. This excess is creating significant competitive conditions in the retail sector and probably will slow retail employment. Indeed, our projections for 1988 could prove to be too high. Only a significant slowing in the growth of wholesale employment justifies our 1988 retail analysis.

Some counties are showing taxable sales gains in keeping with their growth in housing activity, while others are not. For example, the strong housing activity in Paulding county is reflected in a 16.6% growth in taxable sales. Moderate gains in Rockdale county are consistent with its gains of more than 10% in taxable sales. However, the sharp expansion in housing activity in Henry county corresponds to a 1.1% decline in taxable sales in the first quarter. Gwinnett county is maintaining double-digit growth in taxable sales with a modest 12.9% increase from a year ago. Although taxable sales in Fulton county grew more slowly than in the state, up only 5.5%, sales gains accelerated from the fourth quarter. Forsyth county, by contrast, showed its poorest growth in taxable sales since the 1974 recession. Taxable sales also slowed to only an 8.1% growth in Fayette county. Possibly, the slowing in taxable sales growth to only 2.6% in Douglas county was responsible for the downgrading of a previously proposed regional mall in that area. Sales in DeKalb were up a respectable 7.2% following a strong Christmas surge. This was not far behind a 7.9% gain in Cobb

county, which is a smaller gain than would be expected from its strong housing activity. The 7.4% gain in taxable sales in Clayton county also appears to be sluggish relative to its housing activity. However, activity in Cherokee appears to be intensifying following a year of relatively disappointing growth, with sales rebounding to 13.6% in the first quarter.

In 1986, Fayette county showed the most rapid population growth at 10.3%. Gwinnett showed the largest absolute gain in population as its 23,800 gain was a 9.4% increase. Every county registered population gains in the metropolitan area, although the increase in Fulton county was a surprisingly sluggish 0.4%. Despite more rapid growth in housing activity in Henry county, population growth slowed there from 5.9% to 4.5%. Population growth also slowed in Cobb county to only a 4.6% gain and in DeKalb to only a 2.5% gain. Clayton also showed only very modest population growth despite more rapid housing activity there. On the other hand, population gains accelerated in Rockdale county and continued to show strong advances in Cherokee.

Atlanta is showing the same weakness in construction activity that is beginning to develop nationwide. As expected, this weakness already is slowing employment gains to only 57,200 in 1987 from 69,400 in 1986. Further slowing is anticipated in 1988 as construction activity slumps. However, the weakness in construction appears to be removing excesses at a relatively rapid rate. Although the mix of housing may remain inappropriate, household formations probably will exceed housing activity by a comfortable margin both in 1987 and 1988. With a dramatic slump in apartment construction, vacancies there should move toward sustainable levels by the end of 1988. Excesses in office buildings and in industrial activity also appear to be diminishing.

On the other hand, excesses remain substantial in the trade sector. Indeed, employment opportunities could slow more dramatically there than currently projected. In addition, some weakness could develop in several important manufacturing activities. As a result, the Atlanta economy could continue to slow in the second half of 1988. However, sufficient employment opportunities appear to exist to prevent any significant downturn in the overall Atlanta economy. Moreover, the construction adjustments may be completed by the early months of 1989. If so, renewed economic growth could develop without the intervention of a recession in this decade.

Some observers have argued that Atlanta is too optimistic for its own good. In fact, current employment adjustments suggest that Atlanta's optimism is tinged with realism. Instead of delaying response to market adjustment signals, the construction economy in Atlanta appears to be moving vigorously toward removing imbalances before they become too excessive. As a result, Atlanta's future still looks bright.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Table 1

Georgia Wage & Salary Employment for 1985 and 1986 with Forecasts for 1987 through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	8.1	8.4	8.9	9.0	3.9	3.7	6.0	1.1
2. Construction	143.8	156.2	156.6	150.8	9.4	8.6	0.3	-3.7
3. Manufacturing	557.1	564.6	568.9	575.7	1.9	1.3	0.8	1.2
Durables	220.1	222.1	223.0	225.4	6.0	0.9	0.4	1.1
Lumber	35.7	34.9	34.5	34.1	5.0	-2.2	-1.1	-1.2
Furniture	11.9	11.8	11.6	11.2	8.2	-0.8	-1.7	-3.4
Stone, Clay, Glass	19.9	20.8	20.8	20.5	5.9	4.5	0.0	-1.4
Primary Metals	16.5	15.4	15.3	15.6	1.9	-6.7	-0.6	2.0
Fabricated Metals	20.7	20.6	20.6	20.8	2.0	-0.5	0.0	1.0
Nonelectrical Machinery	26.0	26.1	27.0	27.7	7.4	0.4	3.4	2.6
Electrical Machinery	27.7	29.2	29.5	30.1	4.5	5.4	1.0	2.0
Transportation Equipment	49.1	50.9	50.9	52.1	11.3	3.7	0.0	2.4
Other Durables	12.6	12.3	12.8	13.3	1.6	-2.4	4.1	3.9
Nondurables	337.0	342.5	345.9	350.3	-0.6	1.6	1.0	1.3
Food	59.3	60.6	61.0	61.9	3.7	2.2	0.7	1.5
Textiles	100.8	103.0	106.4	107.3	-3.9	2.2	3.3	0.8
Apparel	70.4	69.8	69.2	69.5	-6.3	-0.9	-0.9	0.4
Paper	30.3	31.0	31.0	31.8	1.3	2.3	0.0	2.6
Printing	34.1	36.6	37.4	38.1	10.7	7.3	2.2	1.9
Chemicals	19.3	19.2	18.6	18.9	2.1	-0.5	-3.1	1.6
Leather	1.6	1.5	1.3	1.2	-5.9	-6.3	-13.3	-7.7
Other Nondurables	21.2	20.9	21.0	21.6	3.9	-1.4	0.5	2.9
4. Transportation, Comm. & Utilities	163.0	166.5	170.3	175.4	4.2	2.2	2.3	3.0
5. Trade	643.0	669.6	697.1	716.7	6.7	4.1	4.1	2.8
Wholesale	195.4	197.1	204.3	208.1	4.2	0.9	3.7	1.9
Retail	447.6	472.5	492.8	508.6	7.9	5.6	4.3	3.2
6. Finance, Ins. & Real Estate	136.8	145.3	150.5	155.3	6.6	6.2	3.6	3.2
7. Services	469.3	505.7	537.8	565.9	8.2	7.8	6.3	5.2
8. Government	448.7	458.6	465.2	472.3	1.5	2.2	1.4	1.5
Federal	94.2	96.0	97.1	98.2	5.3	1.9	1.1	1.1
State	104.8	106.9	108.6	110.5	1.0	2.0	1.6	1.7
Local	249.7	255.7	259.5	263.6	0.4	2.4	1.5	1.6
Total Wage & Salary Employment	2569.8	2675.0	2755.3	2821.1	5.0	4.1	3.0	2.4
Unemployment Rate	6.5	5.9	5.2	5.5	8.3	-9.2	-11.9	5.8

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Table 2

Georgia Personal Income for 1985 and 1986 with Forecasts for 1987 and 1988
(Millions of Dollars)

	1985	1986	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	48608	52702	56087	60008	10.3	8.4	6.4	7.0
2. Other Labor Income	4615	5042	5338	5664	10.1	9.3	5.9	6.1
3. Proprietors' Income	5223	5888	6440	7086	1.5	12.7	9.4	10.0
Farm	683	653	652	789	-37.6	-4.4	-0.2	21.0
Nonfarm	4540	5235	5788	6297	12.0	15.3	10.6	8.8
Labor & Proprietors' Income:								
1. Farm	833	807	817	962	-33.0	-3.0	1.2	17.7
2. Mining	286	295	324	339	2.3	3.3	9.8	4.7
3. Contract Construction	3876	4570	4573	4558	11.5	17.9	0.1	-0.3
4. Manufacturing	12072	12866	13413	14159	7.1	6.6	4.3	5.6
Durables	5409	5756	5891	6222	10.7	6.4	2.3	5.6
Nondurables	6663	7110	7522	7937	4.6	6.7	5.8	5.5
5. Transportation & Utilities	5478	5732	6089	6554	8.8	4.7	6.2	7.6
6. Trade	11562	12198	12865	13793	12.4	5.5	5.5	7.2
Wholesale	5495	5760	6081	6504	13.0	4.8	5.6	7.0
Retail	6067	6439	6784	7289	12.0	6.1	5.4	7.4
7. Finance, Ins. & Real Estate	3592	4228	4736	5131	18.0	17.7	12.0	8.3
8. Services	10604	11954	13361	14832	13.3	12.7	11.8	11.0
9. Other Industries	256	282	299	326	12.9	10.0	6.0	9.0
10. Government	9889	10701	11388	12104	7.6	8.2	6.4	6.3
Federal Civilian	2501	2621	2743	2899	9.0	4.8	4.7	5.7
Federal Military	1421	1453	1456	1570	3.6	2.2	0.2	7.8
State & Local	5967	6627	7189	7635	8.0	11.0	8.5	6.2
Plus:								
Property Income	10257	10592	11008	11925	8.1	3.3	3.9	8.3
State U.I. Benefits	211	226	281	338	7.7	7.1	24.3	20.3
Other Transfers	9656	10265	10853	11537	8.1	6.3	5.7	6.3
Residence Adjustment	-218	-251	-268	-275	25.5	15.3	7.2	2.6
Less: Social Ins. Contributions	3392	3723	4010	4507	15.3	9.8	7.7	12.4
Equals: Total Personal Income	74960	80743	85729	91776	8.8	7.7	6.2	7.1
Nonfarm Personal Income	74127	79935	84912	90814	9.5	7.8	6.2	7.0
% of U.S. Nonfarm	2.26	2.32	2.34	2.36	---	---	---	---
Population	5975	6104	6220	6335	2.34	2.16	1.89	1.85

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Table 3 Atlanta MSA Wage and Salary Employment for 1985 and 1986 with Forecasts through 1988
(Thousands)

Industry	1985	1986	1987	1988	84-85	85-86	86-87	87-88
1. Mining	1.2	1.5	1.8	1.9	9.0	20.8	20.0	5.6
2. Contract Construction	71.6	78.4	79.2	73.7	12.6	9.5	1.0	-6.9
3. Manufacturing	185.6	192.2	193.0	196.4	5.9	3.6	0.4	1.8
Durables	97.4	100.6	100.6	102.4	9.3	3.3	0.0	1.8
Lumber	4.9	5.1	5.2	5.1	28.9	4.1	2.0	-1.9
Furniture	4.7	4.5	4.4	4.3	2.2	-4.3	-2.2	-2.3
Stone, Clay, Glass	9.5	10.2	10.5	10.3	9.2	7.4	2.9	-1.9
Primary Metals	6.9	6.6	6.7	6.8	7.8	-4.3	1.5	1.5
Fabricated Metals	9.3	9.2	8.9	9.1	5.7	-1.1	-3.3	2.2
Nonelectrical Machinery	10.5	11.0	11.7	12.5	9.4	4.8	6.4	6.8
Electrical Machinery	14.2	15.5	15.4	16.0	7.6	9.2	-0.6	3.9
Transportation Equipment	31.8	32.9	32.3	32.7	11.2	3.5	-1.8	1.2
Other Durables	5.7	5.7	5.5	5.6	7.5	0.0	-3.5	1.8
Nondurables	88.2	91.6	92.4	94.0	2.3	3.9	0.9	1.7
Food	20.6	21.9	21.9	22.3	3.5	6.3	0.0	1.8
Textiles	7.5	7.2	7.6	7.8	-10.7	-4.0	5.6	2.6
Apparel	12.7	12.4	11.7	11.4	-3.8	-2.4	-5.6	-2.6
Paper	8.6	8.9	9.4	9.7	2.4	3.5	5.6	3.2
Printing	21.5	23.3	23.9	24.5	8.6	8.4	2.6	2.5
Chemicals	9.5	9.6	9.6	9.8	2.2	1.1	0.0	2.1
Other Nondurables	7.7	8.2	8.3	8.5	5.5	6.5	1.2	2.4
4. Transportation, Comm. & Utilities	104.8	108.4	112.1	115.3	4.4	3.4	3.4	2.9
5. Trade	350.7	368.0	389.9	409.7	3.9	4.9	6.0	5.1
Wholesale	125.4	129.3	135.8	139.4	1.1	3.1	5.0	2.7
Retail	225.3	238.7	254.1	270.3	5.5	5.9	6.5	6.4
6. Finance, Ins. and Real Estate	88.9	94.4	97.6	100.5	7.9	6.2	3.4	3.0
7. Services	281.7	304.6	324.7	343.8	8.9	8.1	6.6	5.9
8. Government	178.0	183.5	189.9	195.4	2.1	3.1	3.5	2.9
Federal	38.3	39.4	41.0	42.1	6.1	2.9	4.1	2.7
State	35.5	36.4	37.5	38.4	0.9	2.5	3.0	2.4
Local	104.2	107.7	111.4	114.9	1.2	3.4	3.4	3.1
Total Wage & Salary Employment	1262.6	1331.0	1388.2	1436.7	5.8	5.4	4.3	3.5
Unemployment Rate	5.0	4.5	4.4	4.7	4.2	-10.0	-2.2	6.8

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Table 4 Atlanta MSA Personal Income for 1985 and 1986 with Forecasts through 1988
(Millions of Dollars)

	1985	1986r	1987	1988	84-85	85-86	86-87	87-88
Labor & Proprietors' Income:								
1. Wage & Salary Income	26484	29120	31408	33917	11.6	10.0	7.9	8.0
2. Other Labor Income	2719	2991	3182	3380	11.5	10.0	6.4	6.2
3. Proprietors' Income	1796	2063	2284	2504	10.7	14.9	10.7	9.6
Farm	87	80	89	96	-14.5	-8.0	11.3	7.9
Nonfarm	1709	1983	2195	2408	13.3	16.0	10.7	9.7
Labor & Proprietors' Income								
1. Farm	103	98	107	116	-13.0	-4.9	9.2	8.4
2. Contract Construction	1828	2172	2189	2115	14.7	18.8	0.8	-3.5
3. Manufacturing	4942	5381	5568	5909	11.2	8.9	3.5	6.1
Durables	2896	3151	3211	3413	14.0	8.8	1.9	6.3
Nondurables	2046	2230	2357	2496	7.5	9.0	5.7	5.9
4. Transportation & Utilities	3823	4049	4344	4670	9.0	5.9	7.3	7.5
5. Trade	7337	7832	8395	9152	9.7	6.7	7.2	9.0
Wholesale	4168	4460	4767	5139	9.9	7.0	6.9	7.8
Retail	3169	3372	3628	4013	9.6	6.4	7.6	10.6
6. Finance, Ins. & Real Estate	2617	3080	3444	3723	19.3	17.7	11.8	8.1
7. Services	6323	7145	8010	8947	14.0	13.0	12.1	11.7
8. Other Industries	148	167	188	204	11.7	12.7	12.8	8.5
9. Government	3878	4250	4629	4965	8.2	9.6	8.9	7.3
Federal Civilian	1106	1170	1260	1352	9.8	5.8	7.7	7.3
Federal Military	223	230	231	243	3.5	3.0	0.4	5.2
State & Local	2549	2850	3138	3370	8.4	11.8	10.1	7.4
Plus:								
Property Income	5338	5578	5840	6372	8.6	4.5	4.7	9.1
Transfer Payments	3209	3417	3632	3879	8.0	6.5	6.3	6.8
Residence Adjustment	-1181	-1288	-1296	-1316	15.3	9.1	0.6	1.5
Less: Social Ins. Contributions	2001	2227	2431	2758	16.6	11.3	9.2	13.5
Equals: Total Personal Income	36364	39654	42619	45978	10.3	9.0	7.5	7.9
Nonfarm Personal Income	36261	39556	42512	45862	10.4	9.1	7.7	8.2
% of Georgia Nonfarm	48.92	49.49	50.07	50.50	---	---	---	---
Population (#,Thousands)	2472	2561	2645	2721	2.84	3.60	3.28	2.87

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Table 5

Seasonally Adjusted Nonagricultural Employment
(Thousands)

	Georgia						Atlanta					
	86-2	86-3	86-4	87-1(r)	87-2(p)	June(p)	86-2(r)	86-3(r)	86-4(r)	87-1(r)	87-2(p)	June(p)
Total	2657.6	2684.8	2717.9	2757.8	2746.4	2738.4	1319.6	1334.6	1360.9	1387.7	1384.6	1382.4
Mining	8.1	8.6	8.8	8.9	8.8	8.8	1.3	1.6	1.7	1.7	1.8	1.8
Contract Construction	153.1	157.2	162.1	164.5	155.7	154.0	75.6	78.5	83.7	85.6	79.0	77.1
Manufacturing	563.8	562.1	564.9	568.2	568.7	567.0	191.8	191.4	192.5	192.3	192.8	192.1
Durables	221.9	219.7	221.8	222.8	223.2	221.9	100.5	99.3	100.1	99.7	100.5	100.0
Lumber	34.9	34.2	34.9	35.0	34.4	34.3	5.1	5.1	5.3	5.3	5.1	5.1
Furniture	11.7	11.7	11.7	11.9	11.7	11.4	4.5	4.5	4.5	4.5	4.4	4.3
Stone, Clay, Glass	20.8	20.9	20.9	21.1	20.9	20.7	10.1	10.2	10.2	10.6	10.5	10.4
Primary Metals	15.1	15.4	15.2	15.4	15.4	15.2	6.1	6.7	6.7	6.7	6.7	6.7
Fabricated Metals	20.6	20.4	20.5	20.6	20.7	20.6	9.3	9.1	8.9	8.9	9.0	8.9
Nonelectrical Machinery	26.0	25.8	25.9	26.3	26.8	26.9	11.0	10.9	10.9	11.2	11.5	11.8
Electrical Machinery	29.5	29.2	29.0	29.7	29.6	29.3	15.8	15.3	15.1	15.2	15.5	15.4
Transportation Equipment	51.0	50.0	51.3	50.2	51.0	50.9	33.1	31.9	33.0	31.7	32.3	32.0
Other Durables	12.2	12.1	12.4	12.7	12.7	12.6	5.7	5.7	5.7	5.6	5.5	5.4
Nondurables	341.9	342.4	343.1	345.4	345.5	345.1	91.3	92.1	92.4	92.6	92.2	92.1
Food	60.3	60.8	61.0	61.4	60.5	60.5	21.9	22.0	21.9	21.8	21.8	21.9
Textiles	102.3	103.7	104.1	105.3	106.4	106.8	7.1	7.4	7.5	7.7	7.5	7.5
Apparel	70.0	69.4	69.1	69.8	69.5	68.8	12.6	12.3	12.1	12.0	11.8	11.6
Paper	31.1	30.9	31.2	31.3	31.0	30.9	9.0	9.0	9.1	9.3	9.4	9.4
Printing	36.5	36.7	37.2	37.2	37.4	37.4	23.2	23.4	23.7	23.8	23.9	23.9
Chemicals	19.2	19.3	19.0	18.7	18.5	18.5	9.4	9.7	9.9	9.8	9.5	9.5
Leather	1.6	1.4	1.3	1.2	1.3	1.3	---	---	---	---	---	---
Other Nondurables	20.9	20.2	20.3	20.6	21.0	20.9	8.3	8.3	8.3	8.3	8.4	8.3
Transportation, Comm. & Util	166.0	166.8	167.3	169.0	170.1	170.5	107.7	109.1	109.5	110.2	111.5	112.2
Trade	664.2	674.6	684.4	700.3	695.7	694.4	364.5	370.5	377.7	388.0	388.3	388.7
Wholesale	195.0	196.6	203.1	205.4	204.5	203.5	128.3	130.0	132.6	135.8	135.7	135.6
Retail	469.1	478.0	481.3	495.0	491.2	490.9	236.2	240.5	245.1	252.2	252.6	253.1
Finance, Ins. & Real Estate	144.0	146.8	149.1	150.7	149.5	149.2	93.8	95.2	96.6	97.7	97.5	97.3
Services	499.8	508.6	523.4	532.7	533.2	530.9	300.1	307.5	315.3	323.2	323.4	323.4
Government	458.6	460.0	458.0	463.4	464.8	463.6	184.8	180.8	183.9	189.0	190.3	189.8
Federal	95.8	95.2	96.1	97.1	97.1	96.9	39.5	39.1	39.6	40.2	41.2	41.2
State and Local	362.7	364.8	361.8	366.3	367.7	366.7	145.3	141.7	144.3	148.8	149.1	148.6
State	106.9	106.5	107.3	109.0	107.8	107.0	37.0	36.1	36.4	37.2	37.6	37.9
Local	255.9	258.3	254.5	257.3	259.9	259.7	108.3	105.6	107.9	111.6	111.5	110.7

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Table 6 Metro Atlanta Housing Permits for 1984 through 1986 with Forecasts through 1988

	1984		1985		1986		1987		1988	
County	single	multi	single	multi	single	multi	single	multi	single	multi
Butts	----	---	66	4	64	0	105	0	115	0
Cherokee	1446	28	1632	155	2450	265	1820	50	1950	50
Clayton	1088	717	1408	1424	1559	1832	1430	1050	1490	850
Cobb	5547	3669	5713	3003	5875	3922	5240	2860	5330	2640
DeKalb	2241	3951	2686	4302	3265	3647	2520	1870	2550	1720
Douglas	497	45	702	189	779	242	770	20	810	130
Fayette	----	----	692	0	822	15	980	0	1050	0
Forsyth	609	53	718	76	782	88	735	0	770	0
Fulton	2549	4010	3048	4143	3416	4259	2690	1200	2810	980
Gwinnett	5731	6401	6905	4112	5728	4062	5440	360	5710	510
Henry	656	192	899	126	1322	164	1640	240	1780	210
Newton	----	----	311	14	373	62	490	15	620	20
Paulding	----	----	718	0	927	6	1110	0	1170	0
Rockdale	608	214	692	120	1075	283	980	50	1030	170
Walton	----	----	286	0	343	0	445	0	600	0
Total	21039	19280	26476	17668	28780	18847	26395	7715	27785	7280
% Change From Previous Year			+22.7	-8.5	+8.7	+6.7	-8.3	-59.1	+5.3	-5.6
% Change in Total (single + multi)			+7.8		+7.9		-28.4		+2.8	
Estimated Potential Absorption (000)	40.6		48.0		44.5		42.2		36.9	

NOTE: Condominiums and fee simple town homes are included in the multi-family totals. Counties added in 1985 are in totals for that year but are not included in changes until 1986.

Source: Homebuilders Association of Metro Atlanta

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Table 7

Atlanta Employment in 1992

	1986	1992	% Change	Annual Rate	Previous Annual Rate
Mining	1.5	2.0	33.3	4.9	1.3
Construction	78.4	91.6	16.8	2.6	2.6
Manufacturing	192.2	206.1	7.2	1.2	1.7
Durables:	100.6	107.4	6.8	1.1	2.0
Lumber	5.1	5.4	5.9	1.0	0.8
Furniture	4.5	4.9	8.9	1.4	1.0
Stone, Clay, Glass	10.2	10.8	5.9	1.0	1.2
Primary Metals	6.6	7.5	13.6	2.2	4.1
Fabricated Metals	9.2	9.8	6.5	1.1	1.7
Nonelectrical Machinery	11.0	14.4	30.9	4.6	2.3
Electrical Machinery	15.5	17.8	14.8	2.3	3.7
Transportation Equipment	32.9	30.8	-6.4	-1.1	1.6
Other Durables	5.7	6.0	5.3	0.9	0.0
Nondurables:	91.6	98.7	7.8	1.3	1.3
Food	21.9	23.2	5.9	1.0	1.4
Textiles	7.2	7.9	9.7	1.6	-2.8
Apparel	12.4	10.9	-12.1	-2.1	0.5
Paper	8.9	10.5	18.0	2.8	1.0
Printing	23.3	26.9	15.5	2.4	3.4
Chemicals	9.6	10.4	8.3	1.3	1.2
Other Nondurables	8.2	8.9	8.5	1.4	0.2
Transportation, Comm. & Utilities	108.4	123.1	13.6	2.1	2.5
Trade:	368.0	460.5	25.1	3.8	3.8
Wholesale	129.3	153.7	18.9	2.9	2.7
Retail	238.7	306.8	28.5	4.3	4.4
Finance, Ins. & Real Estate	94.4	115.7	22.6	3.4	3.9
Services	304.6	416.6	36.8	5.4	5.1
Government	183.5	218.3	19.0	2.9	2.9
Federal	39.4	46.3	17.5	2.7	3.1
State	36.4	42.7	17.3	2.7	1.6
Local	107.7	129.3	20.1	3.1	3.3
Total Wage & Salary	1331.0	1633.9	22.8	3.5	3.5
Population	2561	3083	20.4	3.14	3.34

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Table 8 Atlanta Personal Income in 1992

	1986	1992	% Change	Annual Rate	Previous Estimated Growth Path
Labor & Proprietors' Income:					
1. Wage & Salary Income	29120	48914	68.0	9.0	9.0
2. Other Labor Income	2991	4348	45.4	6.4	7.3
3. Proprietors' Income:	2063	3383	64.0	8.6	8.5
Farm	80	107	33.8	5.0	6.2
Nonfarm	1983	3276	65.2	8.7	8.6
Labor & Proprietors' Income:					
1. Farm	98	131	33.7	5.0	6.4
2. Contract Construction	2172	3135	44.3	6.3	7.0
3. Manufacturing:	5381	7766	44.3	6.3	5.6
Durables	3151	4519	43.4	6.2	6.0
Nondurables	2230	3247	45.6	6.5	5.0
4. Transportation, Comm. & Utilities	4049	6177	52.6	7.3	7.8
5. Trade:	7832	12932	65.1	8.7	8.6
Wholesale	4460	7289	63.4	8.5	8.7
Retail	3372	5643	67.3	9.0	8.3
6. Finance, Insurance & Real Estate	3080	5618	82.4	10.5	11.2
7. Services	7145	13687	91.6	11.4	11.5
8. Other Industries	167	292	74.9	9.8	9.0
9. Government:	4250	6907	62.5	8.4	8.6
Federal Civilian	1170	1842	57.4	7.9	7.6
Federal Military	230	291	26.5	4.0	7.7
State & Local	2850	4774	67.5	9.0	9.0
Plus:					
Property Income	5578	8669	55.4	7.6	7.4
Transfer Payments	3417	5085	48.8	6.8	5.9
Residence Adjustment	-1288	-1375	----	---	---
Less: Social Ins. Contributions	2227	4354	95.5	11.8	11.8
Equals: Total Personal Income	39654	64670	63.1	8.5	8.3
Real Personal Income**	11431	13678	19.7	3.0	3.2
Atlanta CPI	346.8	472.8	36.3	5.3	5.0

** Assuming CPI rises 5.0% per year, adjusted to reflect difference from national purchasing power, and to eliminate CPI bias.

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